

FEDERAL RESERVE SYSTEM

E.S. Control Holding S.A.
E.S. International Holding S.A.
Espírito Santo Financial Group S.A.
All of Luxembourg

Espírito Santo Financial (Portugal) Sociedade Gestora
de Participações Sociais, S.A.
Bespar-Sociedade Gestora de Participações Sociais, S.A.
Banco Espírito Santo, S.A.
All of Lisbon, Portugal

Order Approving the Formation of Bank Holding Companies

E.S. Control Holding S.A. (“E.S. Control Holding”), E.S. International Holding S.A. (“E.S. International”), Espírito Santo Financial Group S.A. (“E.S. Financial”), Espírito Santo Financial (Portugal) Sociedade Gestora de Participações Sociais, S.A. (“E.S. Portugal”), Bespar-Sociedade Gestora de Participações Sociais, S.A. (“Bespar”), and Banco Espírito Santo, S.A. (“Banco Espírito Santo”) (collectively, “Applicants”), all foreign banking organizations subject to the Bank Holding Company Act (“BHC Act”), have requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) to obtain all of the voting shares of Espírito Santo Bank, Miami, Florida.¹

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 20,308 (1999)). The

¹ Under the proposal, Banco Espírito Santo would acquire up to 100 percent of the voting shares of Espírito Santo Bank. E.S. Control Holding is the top tier foreign banking organization that controls Banco Espírito Santo for purposes of the BHC Act through its indirect control of more than 25 percent of the voting shares of Banco Espírito Santo. E.S. Control Holding controls Banco Espírito Santo through its ownership of E.S. International, E.S. Financial, E.S. Portugal, and Bespar. Caisse Nationale de Crédit Agricole, Paris, France (“CNCA”), also controls more than 25 percent of the voting shares of Banco Espírito Santo. The Board has separately approved CNCA’s application to become a bank holding company with respect to Espírito Santo Bank. Caisse Nationale de Crédit Agricole, 86 Federal Reserve Bulletin ____ (2000) (Order dated April 5, 2000).

time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

Banco Espírito Santo has total consolidated assets of approximately \$30 billion and is the third largest banking organization in Portugal.² Banco Espírito Santo operates a branch in New York, New York, and engages in limited nonbanking activities in the United States.

Espírito Santo Bank is the 53rd largest banking organization in Florida, controlling deposits of \$315 million, representing less than 1 percent of all deposits in commercial banking organizations in the state.³

Certain Supervisory Considerations

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is “subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank’s home country.”⁴ The Board has made the following findings with regard to the supervision of Banco Espírito Santo.

The home country supervisor of Banco Espírito Santo is the Bank of Portugal. The Board previously has determined in an application under the International Banking Act (12 U.S.C. § 3101 *et seq.*) (“IBA”) that another Portuguese bank was subject to comprehensive consolidated supervision by the Bank of Portugal.⁵ The Board finds that Banco Espírito Santo is supervised in substantially the same manner as the other Portuguese bank. Based on this finding and all the facts of record, the Board concludes that Banco Espírito Santo is subject

² Data are as of December 31, 1998, and are based on exchange rates on that date.

³ Data are as of June 30, 1999.

⁴ 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. *See* 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationships of the bank to its affiliates, to assess the foreign bank’s overall financial condition and compliance with law and regulation. *See* 12 C.F.R. 211.24(c)(1)(ii).

⁵ *See Caixa Geral de Depósitos S.A.*, 85 Federal Reserve Bulletin 774 (1999).

to comprehensive supervision on a consolidated basis by its home country supervisor.⁶

The BHC Act also requires the Board to determine that the Applicants have provided adequate assurances that they will make available to the Board such information on their operations and activities and those of their affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.⁷ The Board has reviewed the restrictions on disclosure in jurisdictions where the Applicants have material operations and has communicated with relevant government authorities concerning access to information. The Applicants have committed that they will make available to the Board such information on their operations and the operations of any of their affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. The Applicants also have committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable them to make such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that the Applicants have provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

Other Factors under the BHC Act

The Board also has carefully considered the financial and managerial resources and future prospects of the banks and companies involved in this proposal, the convenience and needs of the communities to be served, and other supervisory

⁶ With regard to the supervision of the parent companies of Banco Espírito Santo, the Board has considered that Bespar and E.S. Portugal are subject to the supervision of the Bank of Portugal. E.S. Financial, although domiciled in Luxembourg, is also subject to the supervision of the Bank of Portugal as a matter of Portuguese law.

E.S. Control Holding and E.S. International are deemed "mixed activity holding companies" by the Bank of Portugal. Portuguese law provides that mixed activity holding companies and their subsidiaries must supply the Bank of Portugal with all the information that may be relevant for supervision. In addition, the Bank of Portugal may examine or commission the examination of mixed activity holding companies and their subsidiaries whenever it deems necessary for the consolidated supervision of a credit institution such as Banco Espírito Santo.

⁷ See 12 U.S.C. § 1842(c)(3)(A).

factors applicable under the BHC Act. Banco Espírito Santo's capital levels exceed the levels required under Portuguese capital guidelines. The capital levels of Banco Espírito Santo also exceed the capital levels under the Basle Capital Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization under similar circumstances.

The Board has reviewed supervisory information from the home country authorities responsible for supervising Applicants concerning the proposal and the condition of the parties, confidential financial information from the Applicants, and reports of examination from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are other supervisory factors that the Board must consider under section 3 of the BHC Act.

In addition, based on all the facts of record, including the fact that Applicants do not have banking operations in the banking market in which Espírito Santo Bank operates, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval. Considerations related to the convenience and needs of the communities to be served, including the performance record of Espírito Santo Bank under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"), also are consistent with approval of the proposal.⁸

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approvals are specifically conditioned on Applicants' compliance with all the commitments made in connection with these applications, and on the receipt by Applicants and Espírito Santo Bank of all necessary approvals from state and federal regulators. The approvals are also specifically conditioned on the Board's receiving access to information on the operations or activities of Applicants and any of their affiliates that the Board determines to be appropriate to determine and enforce compliance by Applicants and their affiliates with applicable federal statutes. The

⁸ Espírito Santo Bank was rated "satisfactory" in its most recent CRA performance evaluation conducted by the Federal Deposit Insurance Corporation, as of July 21, 1997.

commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of Espírito Santo Bank shall not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors,⁹ effective April 5, 2000.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

⁹ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.